

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 04/17/2012
POSITION: Neutral

BILL NUMBER: AB 1456
AUTHOR: Hill, Jerry

BILL SUMMARY: Gas Corporations: Rate of Return: Safety Performance Standards

Existing law grants the California Public Utilities Commission (PUC) regulatory authority over public utilities, including gas corporations. Existing law authorizes the PUC to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. The Natural Gas Pipeline Safety Act of 2011 prohibits a gas corporation from recovering any fine or penalty in any rate approved by the PUC.

This bill would require the PUC to perform an analysis of benchmark data and adopt safety performance standards for pipeline safety and reliability and to evaluate a gas corporation's safety performance based on those standards. The bill would authorize the PUC to implement a rate incentive program, as specified.

FISCAL SUMMARY

The PUC estimates that it would require \$400,000 PUC Utilities Reimbursement Account (PUCURA), one one-year limited-term position and two permanent positions to open a proceeding to revise the energy utilities Rate Case Plan. Ongoing costs would be \$263,000 PUCURA. The rulemaking would evaluate key questions to define the expectations of safety performance, define the benchmarking studies needed, and define performance metrics and performance standards. Benchmarking data would need to be revised on a recurrent basis, as well as the development of rates based on safety. Any staffing and resource needs would be evaluated during the annual development of the Governor's Budget.

COMMENTS

Finance is neutral on this bill as it would help promote gas safety and result in no additional state costs.

The intent of the bill is to require the PUC to consider the safety performance of a gas utility in determining what constitutes a just and reasonable profit. By tying safety performance to utility profit, the bill would ensure that safety is a top focus of management.

On September 9, 2010 an explosion and fire in San Bruno, California resulted from a faulty natural gas transmission pipeline owned by Pacific Gas and Electric (PG&E.) This explosion has resulted in a reevaluation of pipeline safety.

An Independent Review Panel on the San Bruno explosion made the recommendation that upon a thorough analysis of benchmark data, the PUC adopt performance standards for pipeline safety and reliability for PG&E, including the possibility of rate incentives and penalties based on achievement of specified levels of performance. This bill is consistent with that recommendation.

Analyst/Principal (0621) J.McGuinn	Date	Program Budget Manager Karen Finn	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

BILL NUMBER

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	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP					Fund		
Type	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
8660/PUC	SO	No	A	0	A	200	A	332	0462
<u>Fund Code</u>	<u>Title</u>								
0462	Publ Utilities Comm Utilities Reimb Acct								